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ADOPTED 3/23/89

BOSTON REDEVELOPMENT AUTHORITY

COMBINED FINANCIAL STATEMENTS

for the fifteen-month period ended September 30, 1988

Coopers
& Lybrand

Certified Public Accountants

BOSTON REDEVELOPMENT AUTHORITY

COMBINED FINANCIAL STATEMENTS

for the fifteen-month period ended September 30, 1988

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Boston, Massachusetts
February 24, 1989

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors
Boston Redevelopment Authority:

We have audited the combined financial statements of the Boston Redevelopment Authority as of, and for the fifteen-month period ended September 30, 1988, as listed in the accompanying table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in the Standards for Audit of Governmental Organization, Programs, Activities and Functions; issued by the U.S. General Accounting Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the combined financial statements present fairly, in all material respects, the financial position of the Boston Redevelopment Authority as of September 30, 1988 and the results of its operations and changes in fund balances and changes in agency funds for the fifteen-month period then ended in conformity with generally accepted accounting principles.

Coopers & Lybrand

Boston, Massachusetts
February 24, 1989

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

September 30, 1988

ASSETS	Account Groups				Interfund Eliminations	Combined Total (Memorandum Only)
	General Fund	Agency Funds	Project Funds	General Fixed Assets		
Cash	\$ 144,500					\$ 144,500
Investments (Note C)	7,306,290	\$ 1,936,247	\$13,377,391			22,619,928
Accounts receivable (net of allowance for bad debts of \$52,342)	1,001,635	615,600	191,948			1,809,183
Billed and unbilled amounts due from federal, state and city (net of allowance of \$600,000) (Notes E and K)	48,592	2,172,798	7,497,089			9,718,479
Accounts receivable disposition of development sites						
Due from other funds			2,647,130			2,647,130
Notes receivable (Note F)	1,988,524		503,595			34,982,501
Property held for development (Note G)	844,852	32,027,617	2,110,032		\$(2,492,119)	12,062,617
Fixed assets, net (Note H)			12,062,617			1,170,972
Other assets	226,911		211,573	\$1,170,972		438,484
Amounts to be provided for retirement of general long-term obligations						
Total assets	\$11,561,304	\$36,752,262	\$38,601,375	\$1,170,972	\$(2,492,119)	\$87,563,908
LIABILITIES, OTHER CREDIT AND FUND BALANCES						
Long-term debt (Note G)			9,900,000			9,900,000
Accounts payable	3,238,462					3,238,462
Advances on contracts			390,681			390,681
Due to other funds	503,595	1,988,524			(2,492,119)	
Retainage	13,736	26,185	658,700			698,621
Deposits (Note I)	1,594,534		381,973			1,976,507
Obligations under capitalized leases (Note J)						
Vacation, sick leave and retirement costs (Notes L and M)						485,486
Accrued liabilities	482,646					1,484,628
Other (Note K)						728,513
Deferred revenue						1,706,300
Due to designated entities	2,415,604	34,737,553				2,677,812
Total liabilities	8,248,577	36,752,262	17,909,413		(2,492,119)	39,101,237
Commitments and contingencies (Notes J and K)						62,388,247
Other credit:						
Investment in general fixed assets				1,170,972		1,170,972
Fund balances:						
Designated for vacation, sick leave and retirement costs	1,484,628					1,484,628
Designated for obligations under capitalized leases	485,486					485,486
Designated for projects	1,342,613		20,691,962			20,691,962
Undesignated						1,342,613
Total fund balances and other credit	3,312,727		20,691,962	1,170,972		25,175,661
Total liabilities, other credit and fund balances	\$11,561,304	\$36,752,262	\$38,601,375	\$1,170,972	\$(2,492,119)	\$87,563,908

The accompanying notes are an integral part of the combined financial statements.

BOSTON REDEVELOPMENT AUTHORITY

COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

for the fifteen-month period ended September 30, 1988

	General Fund	Project Funds	Combined Total (Memorandum Only)
Revenues:			
Federal, state and city funding grants	\$ 2,756	\$11,087,380	\$11,090,136
Proceeds from disposition of development sites	511,141	17,151,529	17,662,670
Rental income		6,659,781	6,659,781
Interest income	182,208	1,752,455	1,934,663
Other	159,083	81,722	240,805
Total revenues	855,188	36,732,867	37,588,055
Expenditures:			
Personnel		13,998,731	13,998,731
Fringe		3,319,194	3,319,194
Supplies and services	2,944	4,294,264	4,297,208
Contractual services	589,108	2,387,959	2,977,067
Capital outlays	160,478	11,392,582	11,553,060
Occupancy Costs		1,280,306	1,280,306
Total expenditures	752,530	36,673,036	37,425,566
Excess of revenues over expenditures	102,658	59,831	162,489
Fund balances, June 30, 1987	3,210,069	20,632,131	23,842,200
Fund balances, September 30, 1988	\$3,312,727	\$20,691,962	\$24,004,689

The accompanying notes are an integral part of the combined financial statements.

BOSTON REDEVELOPMENT AUTHORITY

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS

for the fifteen-month period ended September 30, 1988

	Balance, June 30, 1987	Additions	Deductions	Balance, September 30, 1988
<u>ASSETS</u>				
Investments				
Accounts receivable	\$ 2,635,385	\$ 8,054,558	\$ 8,753,696	\$ 1,936,247
Billed amounts due from federal, state and city	210,402	615,600		615,600
Unbilled amounts due from federal, state and city		216,554		426,956
Notes receivable	22,960,544	1,745,842	233,000	1,745,842
		9,300,073		32,027,617
Total assets	<u>\$25,806,331</u>	<u>\$19,932,627</u>	<u>\$ 8,986,696</u>	<u>\$36,752,262</u>
<u>LIABILITIES</u>				
Due to other funds	210,402	12,541,256	10,763,134	1,988,524
Retainage		26,185		26,185
Due to designated entities	25,595,929	9,446,712	305,088	34,737,553
Total liabilities	<u>\$25,806,331</u>	<u>\$22,014,153</u>	<u>\$11,068,222</u>	<u>\$36,752,262</u>

The accompanying notes are an integral part of the combined financial statements.

BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

A. The Authority:

The Boston Redevelopment Authority (the "Authority") was established in 1957 pursuant to Chapter 121B, as amended, of the General Laws of Massachusetts to administer community development projects and to function as the planning agency of the City of Boston (the "City"). The Authority is governed by a five-member Board of Directors appointed for terms of five years.

During September 1987, the Board of Directors approved a change in the Authority's fiscal year-end to September 30, commencing with the period ending on September 30, 1988. Previously, the Authority's fiscal year-end was June 30.

B. Summary of Significant Accounting Policies:

A summary of significant accounting policies employed in preparation of the financial statements follows.

Fund Accounting

Financial activities are recorded in the funds and account groups described below. The financial operations of each fund are accounted for in separate self-balancing accounts which represent the fund's assets, liabilities, equity, revenues and expenditures. As the Authority is not legally required to adopt budgets for the General and Project funds, no comparison of budget versus actual results of operations have been presented in these combined financial statements.

General Fund

Transactions accounted for in the General Fund relate to revenues and expenditures not specifically restricted to development projects under terms of grant agreements or under restrictive terms of City of Boston capital borrowings. In prior years, planning funds received from the City of Boston and related costs for personnel and fringe benefits were accounted for in the General Fund. The Authority is no longer receiving these funds. Costs associated with planning are now charged to specific development activities.

Continued

BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

Agency Funds

Resources received and held by the Authority as an agent for other entities are accounted for in Agency Funds. These resources include Urban Development Action Grants (UDAGs) and funds for other housing initiatives which require the grant recipient to execute promissory notes to the Authority. Repayments of UDAG grants which are received by the Authority are periodically remitted to the City or other designated entities. Disposition proceeds are initially accounted for in the Project Funds and are transferred to the Agency Funds when the account payable, if any, to the designated entity is determined.

Project Funds

Transactions accounted for in the Project Funds relate to resources obtained and used for specific identifiable development activities classified as projects. Individual projects may receive funding from several sources including federal and state grants, City of Boston capital funds, disposition proceeds and rental income. The Authority separately accounts for the revenues and expenditures under each community development project and funding source. For financial reporting purposes, projects have been combined.

Account Groups

The General Fixed Assets and General Long-Term Obligations Account Groups are used to establish control and accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Basis of Accounting

The accounts of the Authority are maintained and reported on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when measurable and available to finance operations during the year. Interest income and rental income are recorded as revenues when earned. Revenues from federal and state reimbursement type grants and City of Boston capital borrowings are recorded at the earlier of receipt or when the related eligible expenditures are incurred. Expenditures are recognized when obligations are incurred from receipt of goods and services.

Continued

BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

Fixed Assets

In prior years, the Authority did not maintain records of the cost of general fixed assets. In fiscal 1988, the Authority inventoried its general fixed assets. Accordingly, a General Fixed Assets Account Group has been presented in the accompanying financial statements as required by generally accepted accounting principles. See Note H as to the summary of the General Fixed Assets.

Expenditures for equipment, and furniture and fixtures are recorded as supplies and services expenditures in the Project Funds. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. The cost of such assets is capitalized in the General Fixed Assets Account Group.

Capital leases have been recorded in the General Fixed Assets and General Long-Term Obligations Account Groups at the present value of the minimum lease payments. Lease payments are recorded as expenditures on the due date; the portion of the payments applicable to principal is reported as a reduction of the capitalized lease obligation in the General Long-Term Obligations Account Group.

Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the fixed assets which are as follows:

Vehicles and maintenance equipment	3 years
Furniture and Fixtures	5 years
Data processing equipment	5 years

Depreciation and amortization is reported as a reduction in the General Fixed Assets Account Group.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset life are not capitalized.

Property

The Authority owns properties within the City of Boston which were acquired in prior years. These properties were acquired in connection with its redevelopment and housing initiative activities and recorded as capital outlays expenditures in the Project Funds in the year acquired.

Continued

BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

Vacation and Sick Leave

Employees earn vacation and sick leave as they provide services. They may accumulate (subject to certain limitations) unused vacation and sick leave earned. Upon retirement, termination or death, employees may be compensated for accumulated unused vacation up to twice their current allowable annual vacation leave. Sick leave accumulates at the rate of 1 1/4 days for each calendar month with no maximum limit. Upon termination, employees with fifteen or more years of service may receive in cash a portion of their accrued but unused sick leave in accordance with an established formula.

The liability related to unused vacation and sick time is recorded in the General Long-Term Obligations Account Group (GLTOAG). The amount recorded in the GLTOAG is the unused days earned at the current rate of pay.

Unbilled Accounts Receivable

Unbilled accounts receivable arise from certain Authority activities. Unbilled receivables are recorded for expenses incurred which are reimbursable under specific grants and not yet billed. Retainage withheld from payments on construction and engineering contracts are not reimbursable by grant funding sources until paid and, therefore, these amounts are recorded as unbilled receivables. Liabilities for land taking are recorded when they become estimable and, if reimbursable, unbilled receivables are recorded. Unbilled accounts receivables may not be billed and collected within one year.

Combined Total - Memorandum Only

Combined totals on the financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation.

Continued

BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

C. Investments:

The Authority holds in investments: funds received in connection with close-out agreements with the U.S. Department of Housing and Urban Development, deposits placed with the Authority by developers (see Note I), and funds required to be held in investments under contractual agreements.

The Authority follows the policy to invest in securities of the U.S. Government and its agencies as well as domestic corporate debt instruments which are rated "A" or better by Standard & Poor's or Moody's corporate bond rating services. All investments are held in the name of the Authority.

All investments are carried at amortized cost. The Authority includes in investments accrued interest receivable on investments. The aggregate market value of investments held at September 30, 1988 was \$22,320,989.

Investments as of September 30, 1988 consist of:

<u>Type</u>	<u>Cost</u>	<u>Interest Rate</u>	<u>Maturity</u>
Daily Money Market	\$ 6,776,570	6.33%	
Certificates of Deposit	7,602,839	7.25% to 8.05%	10/3/88 to 12/13/88
U.S. Government Treasury Bills	85,251	7.952%	4/20/89
Corporate Debt Securities	4,124,771	7.6% to 14.125%	5/1/89 to 11/1/00
U.S. Government Agency	<u>3,777,891</u>	6.9% to 8.3%	2/27/89 to 6/25/91
Investments at cost	22,367,322		
Accrued interest receivable	<u>252,606</u>		
	<u>\$22,619,928</u>		

Continued

BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

D. Related Party Transactions:

City of Boston

During the fifteen-month period ended September 30, 1988, the City provided financial resources to the Authority, as follows:

(in thousands)

Urban Development Action Grants (UDAG)	\$ 7,648
City capital appropriations	6,953
Department of Environmental Management	2,604
Coastal Zone Management	318
Other federal, state and city grants	<u>1,895</u>
	<u>\$19,418</u>

The City also provides office space to the Authority at no charge.

E. Billed and Unbilled Amounts Due From Federal, State and City:

Billed and unbilled amounts due from federal, state and city are project expenditures which are reimbursable under federal, state and city funding sources. A summary of billed and unbilled amounts due from federal, state and city at September 30, 1988 is as follows:

	<u>General</u>	<u>Agency</u>	<u>Project</u>
Billed amounts due from federal, state and city	\$25,303	\$ 426,956	\$1,747,338
Unbilled amounts due from federal, state and city	23,289	1,745,842	5,063,851
Unbilled court award reimbursements	<u>48,592</u>	<u>2,172,798</u>	<u>1,285,900</u>
Less: Allowances	<u>48,592</u>	<u>2,172,798</u>	<u>600,000</u>
	<u>\$48,592</u>	<u>\$2,172,798</u>	<u>\$7,497,089</u>

Continued

BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

Project Funds

Included in unbilled amounts due from federal, state and city is \$1,700,471 under an Urgent Needs grant which expired during 1986. The Public Facilities Department (PFD), a department of the City and the grant administrator, has approved a new expiration date of June 30, 1991. The Authority plans to bill and collect the above amount once appropriate documents have been finalized with the PFD.

In connection with various capital projects for the City, the Authority incurred expenditures in the amount of \$1,059,173 which are reimbursable under previously approved loan orders with the City's Capital Planning Office (CPO). The Authority plans to bill and collect this amount upon notification from the CPO that such amounts have been properly encumbered.

Included in billed amounts due from federal, state and city is \$1,339,834 receivable from the Boston Water and Sewer Commission (BWSC), an agency of the City of Boston. This receivable represents the net amount due to the Authority for work performed primarily from 1977 through 1983 for BWSC in connection with grants from the Environmental Protection Agency (EPA) and the Massachusetts Department of Water Pollution Control (MDWPC). At present there are some unresolved matters related to the appropriate funding sources for this receivable. BWSC has asserted it is not responsible for the ultimate funding of these costs but will work with the Authority in identifying federal and state funding sources to be used to reimburse these costs.

The Authority believes the \$1,339,834 is due and payable from the BWSC based on the terms of its contractual agreements. The Authority is prepared to take the necessary steps to pursue collection.

In addition, the Authority is involved in land damage cases resulting from the acquisition of properties (see Note K). Certain of these cases are reimbursable from the City. The Authority has recorded an unbilled amounts due from the City amounting to \$1,285,900 as of September 30, 1988, which are reimbursable under loan orders and other agreements with the City.

F. Notes Receivable:

Notes receivable in the Agency Fund are comprised of funds advanced to developers under various UDAG and housing initiative agreements. The liabilities to the funding sources are reflected in due to designated entities.

Continued

BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

G. Property Held for Development:

On October 9, 1987, the Authority purchased the "Custom House Tower" from the Federal Government for \$11,000,000. As part of the purchase agreement, the Federal Government provided a loan to the Authority in the amount of \$9,900,000 at an annual interest rate of 11%. The loan agreement calls for the payment of interest only in quarterly installments of \$272,250 commencing in January 1988 until October 1992 and quarterly payments of principal and interest of \$650,150 from January 1993 to October 1997. The loan is collateralized by the building.

Interest is capitalized on property held for development acquired through loans. The amount of interest to be capitalized is based on interest expense incurred from the date of the borrowing until completion of the project. Interest expense incurred of \$1,062,617 has been capitalized.

The Authority intends to recover the purchase price plus interest capitalized from the designated developer of this parcel.

H. Fixed Assets:

The following is a summary of changes in the General Fixed Assets Account Group:

	Balance, July 1, <u>1987</u>	<u>Additions</u>	Balance, September 30, <u>1988</u>
Furniture and fixtures	\$464,143	\$ 960,872	\$1,425,015
Vehicles and maintenance equipment	56,908	316	57,224
Data processing equipment	<u>215,606</u>	<u>111,012</u>	<u>326,618</u>
	736,657	1,072,200	1,808,857
Less accumulated depreciation and amortization	<u>224,864</u>	<u>413,021</u>	<u>637,885</u>
Fixed assets, net	<u>\$511,793</u>	<u>\$ 659,179</u>	<u>\$1,170,972</u>

Equipment leased under capital leases recorded in the General Fixed Assets Account Group as of September 30, 1988 consist of (see Note J):

Furniture, fixtures and equipment	\$696,714
Less accumulated amortization	<u>229,396</u>
	<u>\$467,318</u>

Continued

BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

I. Deposits:

A portion of the investments held in the General Fund at September 30, 1988 relates to development deposits placed with the Authority in connection with specific or development projects. Such deposits are generally subject to escrow agreements and, accordingly, have been credited to the deposit account on the balance sheet.

J. Commitments:

At September 30, 1988, the Authority was committed under contracts for various funded projects in the aggregate amount of \$7,267,731.

The Authority leases office space located in the Charlestown Navy Yard. The lease agreements contain renewal options and provisions to pay operating expenses over base amounts. The future minimum payments under these leases as of September 30, 1988 are \$810,000 for each of the fiscal years ending 1989 and 1990, \$780,000 for fiscal year 1991 and \$552,000 for fiscal year 1992.

The Authority has entered into various equipment lease agreements which qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments (see Note H).

The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments recorded in the General Long-Term Obligations Account Group at September 30, 1988:

Fiscal year ending September 30,

1989	\$167,288
1990	125,168
1991	114,054
1992	100,256
1993	<u>20,304</u>
	527,070
Total lease payments	
Less amount representing interest	<u>41,584</u>
Present value of future minimum lease payments	<u>\$485,486</u>

Continued

BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

K. Contingencies:

The Authority is involved in lawsuits concerning routine contract matters and public liability tort actions, the majority of which are covered by Contractors, Homeowners, Landlords and Tenants Liability insurance policies. In addition, the Authority is involved in land damage cases resulting from the acquisition of properties as a result of exercising its powers of eminent domain.

The Authority receives various grants from federal, state, city and other agencies which must be expended in compliance with the terms and conditions of the grants. These expenditures are subject to audit by the grantor agency and any disallowed expenditures could become either a reduction of future grants or a liability. However, the Authority has never had any material audit exceptions and believes none will result from existing programs.

Based on information supplied by the Authority's counsel, the accompanying financial statements include estimates of probable future liabilities relating to the aforementioned lawsuits, and unbilled accounts receivable have been recorded for the portion of such liabilities which are estimated costs to be reimbursable (see Note E).

L. Changes in Vacation, Sick Leave and Retirement Costs:

Changes in the vacation, sick leave and retirement costs for the fiscal year ended September 30, 1988 are as follows:

	June 30, <u>1987</u>	<u>Additions</u>	<u>Reductions</u>	September 30, <u>1988</u>
Vacation and sick leave	\$ 963,062	\$477,562		\$1,440,624
Retirement costs in excess of amount funded	<u>1,270,694</u>	<u>95,302</u>	<u>\$1,321,992</u>	<u>44,004</u>
	<u>\$2,233,756</u>	<u>\$572,864</u>	<u>\$1,321,992</u>	<u>\$1,484,628</u>

Continued

BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

M. Retirement Costs:

The Authority contributes to the contributory State-Boston Retirement System, a cost-sharing multiple-employer public employee retirement system (the System) administered by the City. Pension information is provided in the financial statements of the City which includes the Authority.

All full-time Authority employees are eligible to participate in the System. Employee contributions are based upon a percentage of the employee's base pay. In accordance with the Laws of The Commonwealth of Massachusetts, employer retirement costs are funded on a "pay-as-you-go" basis (estimated retirement benefits to be paid in excess of employees' contributions and earnings thereon). The Authority is annually assessed its proportionate share of the retirement costs of the System by the City of Boston.

The Authority's pension benefit obligation was computed as part of the City's actuarial valuation performed as of June 30, 1988. The total pension obligation and net assets available for benefits applicable to the Authority's employees were \$16,529,699 and \$9,739,000 at June 30, 1988, respectively.

The Authority's contribution to the System for 1988 was made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of June 30, 1988. The Authority's actuarial pension expense consisted of \$192,703 employer normal cost and \$454,750 amortization of the unfunded actuarial liability. During the fifteen-month period ended September 30, 1988, the Authority contributed \$1,898,260 and Authority employees' contributed \$868,500.

Comparability with the prior year's pension cost was affected by the following changes in the fiscal 1988 actuarial computations: a change in the discount rate from 7.5% to 10%, the adoption of the Full Funding Law, in particular the removal of the \$30,000 salary cap and the elimination of recognition of cost-of-living increases as an expense of the System. The impact of these changes were not separately determined for the Authority and, accordingly, have not been presented.

